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FURTHER CORRESPONDENCE

RESPECTING

COMMERCIAL NEGOTIATIONS

BETWEEN

GREAT BRITAIN AND TURKEY.

[In continuation of Confidential Paper No. 8428.]

209

January to June 1905.

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CONFIDENTIAL.

Further Correspondence respecting Commercial Negotiations between Great Britain and Turkey.

[In continuation of Confidential Paper No. 8428.]

No. 1.

*Mr. Townley to the Marquess of Lansdowne.**—(*Received January* 30.)

(No. 9. Commercial.)

Constantinople, January 24, 1905.

My Lord,

WITH reference to my despatch No. 47 of the 20th instant respecting the Austro-Russian Scheme of Financial Reforms for Macedonia, and to your Lordship's despatch No. 73 A, Commercial, of the 28th September, 1904, I have the honour to transmit to your Lordship herewith, copy of a despatch from His Majesty's Consul-General at Salonica,† reporting a conversation which he has recently held with Hilmi Pasha, during which the Inspector-General dwelt on the importance of re-establishing the finances of the three vilayets on a sound basis, and expressed the hope that the Powers would not oppose an increase in the present Customs Tariff with a view to attaining that object.

Both the Austrian and French Ambassadors have told me in the course of recent conversations that they would probably not oppose the proposed increase of the customs duties from 8 to 11 per cent. provided that the increased revenue were devoted to the financial requirements of the Macedonian Provinces.

I have, &c.

(Signed) WALTER TOWNLEY.

No. 2.

*Mr. Townley to the Marquess of Lansdowne.**—(*Received February* 6.)

(No. 12. Commercial.)

Constantinople, January 31, 1905.

My Lord,

I HAVE the honour to transmit to your Lordship herewith copy of a Memorandum which has been furnished to me by Mr. Blech, showing the probable increase that would accrue to the Imperial Treasury were the present 8 per cent. customs duties to be raised to an 11 per cent. duty. The Turkish Government have recently put out feelers at several of the Embassies with a view to ascertaining whether there would be any chance of such a proposal being accepted.

Your Lordship will perceive that Mr. Blech estimates that an increase of the present duty of the nature suggested would produce, in all probability, about 750,000*l.* per annum to the Treasury, the present receipts from the customs being estimated at rather over 2,000,000*l.* per annum. I discussed the idea of an increase of the *ad valorem* duty with the Director of the Ottoman Bank yesterday. M. Deffés gave it as

* Copy to Board of Trade, February 8, 1905.

† Mr. Graves' No. 3, of January 17, 1905. (For Inclosure see Mr. Townley's No. 50, of January 24, 1905.)

his opinion that the increased duty would produce about 1,000,000*l.* per annum. He told me that he had gone very closely into the customs question, and had come to the conclusion, from a study of all the available statistics, both of other countries trading with Turkey and of Turkey herself, that there is an annual loss to this country of revenue from the customs of 63 per cent. M. Deffés attributed this, partly to the ignorance of the customs experts, who are unable to estimate merchandise at its true value, and largely to the fact that a great volume of trade enters the country without paying any duty at all; the customs officer being squared by bribes, which remain in the pockets of the official, whilst the duty is lost to the Imperial Exchequer.

The allusion in Mr. Blech's Memorandum to the possibility that the increase of customs revenue might be devoted to defraying the expenses of Macedonian reform is due to the fact that such an idea has been mooted as being a reason why the Powers might agree to an increase of the duty.

I have, &c.
(Signed) WALTER TOWNLEY.

Inclosure 1 in No. 2.

Memorandum by Mr. Blech.

THE increase of the import duties in Turkey has often been mooted of late years, and at one period was indeed pressed with some insistence by the Turkish Government. But the Powers had no reason, beyond the desire professed by certain of them to increase the resources at the disposal of the State, and thus render possible some improvement in its methods of government, to support a measure the first results of which might well be a reduction of imports into the Ottoman Empire, through the increased cost to the consumer and consequent diminution of his purchasing power. Nor had Turkey herself any paramount object in endeavouring to win a reluctant consent from the Powers to an increase of customs dues which would accrue only to the bondholders, as the Decree of Mouharrem explicitly ear-marked for their benefit any such increase. But the Décret-Annexe embodying the Unification has profoundly modified the situation. In return for what seem to be trifling immediate advantages, the bondholders, in accepting the Unification, abandoned for ever their claim to an increase of interest arising from any future addition to the customs duties, and have thereby transferred to the Imperial Treasury all share in this potential increase, save 25 per cent. of such augmentation, which will serve as additional sinking fund, which one would have thought constituted a substantial and valuable asset. Save for the 25 per cent. addition to the sinking fund already alluded to, any increase in the customs duties will henceforth accrue to Turkey herself, and it is reasonable to expect that her eagerness to bring this increase about will be proportionately stimulated.

I believe the present receipts of the Custom-house to be rather over £ T. 2,000,000; this sum probably represents the proceeds of the 8 per cent. import duty after deducting the yield of the 1 per cent. export duty. An addition of 3 per cent. would consequently produce an increased revenue of some £ T. 750,000. So far as I understand the present idea, it appears to be to add 3 per cent. to the import duties all over the Empire, and devote the resulting increase—or a portion of it, for this is not clear—to the expenses of a reformed administration in European Turkey. It would not, presumably, be feasible to restrict the proposed increase only to the Macedonian vilayets, though that course has been found possible in certain isolated units of the Empire, as *e.g.*, in Crete. Nor has the proposal been made to devote to Macedonian reform only the proceeds of the surtax raised in that part of the country which is to benefit by that measure. The plan would therefore seem to be the general increase of import duties in the whole Empire from 8 per cent. to 11 per cent., and the appropriation of the additional revenue to defraying the cost of reform in European Turkey.

It may be found on investigation that reform is needed in other parts of the Empire also, and possibly some extension of the plan may ensue. But if this is not contemplated, British importers in, say, the Persian Gulf ports may not unreasonably complain of our acquiescing in a measure which may diminish the volume of their imports solely in the cause of Macedonian reform. For a proportional increase of price such as will follow will obviously mean a relatively more enhanced price for those superior articles of British origin for which it is our satisfaction to think that the

foreign consumer is willing to pay more than for the cheaper but inferior goods of, say, German manufacture.

But if this objection proves groundless or easy to surmount, the difficulty of ever insuring the actual application of the increased revenue to the purpose for which it is destined seems very great. Such is the drain for money to the capital, so stringent have for some years past been the orders to send to Constantinople every coin almost that can be got hold of, that not only in the great trade centres such as Stamboul, Smyrna, and Beyrout, but at nearly every custom-house in the Empire complaints are loud and persistent of the neglect, undermanning, insufficiency of premises and so forth due to the prevailing state of penury and the failure of the local Director of Customs to obtain sanction for the expenditure of even the smallest sum for the most pressing local requirements. It is clear that in order to attain the desired result some measure very closely resembling an international control of the Customs' Administration seems indispensable, and it is impossible to estimate the prospects of realizing such a plan without being able to judge the amount of pressure likely to be exercised on the Ottoman Government to bring it about.

(Signed) E. C. BLECH.

January 30, 1905.

No. 3.

*Mr. Townley to the Marquess of Lansdowne.**—(*Received February* 20.)

(No. 18. Commercial.)

My Lord, *Constantinople, February* 14, 1905.

I HAVE the honour to transmit to your Lordship, herewith, copy of a despatch, as marked in the margin,† from His Majesty's Consul-General at Salonica, containing an exhaustive survey of the Austro-Russian Financial Reform Scheme presented to the Sublime Porte on the 17th ultimo, and submitting an alternative scheme which has been elaborated by the French Consul-General at Salonica.

Both the Austrian and the Russian Embassies have recently pressed the Porte for an answer to their communication, but so far none has been made.

Having heard from the Italian Ambassador that the Grand Vizier had told him that the Ottoman Government proposed to increase the Customs duties from 8 per cent. to 11 per cent., in order to meet the deficit on the Macedonian Budget, I yesterday asked his Highness what foundation there was for the rumour that had reached me. I pointed out that it seemed to me strange that I should have heard of such a proposal from a third party, as it appeared to me that the Turkish Government would have been well-advised to broach the subject first of all with the Representative of the country that furnished 60 per cent. of the foreign trade of the Empire. I reminded his Highness that His Majesty's Government had refused to reopen the negotiations for a Commercial Treaty until certain questions at issue had been settled, and I said that I could hardly suppose that they would be prepared to accept an increase of the customs duties, which was to be sprung upon them in such an unceremonious manner.

Ferid Pasha explained that it was not intended to put the increase forward as a demand, but merely as a proposal. We shall be better able to judge of this when the actual note is received, but my information is that an attempt will be made to put it into effective force without discussion.

The Grand Vizier represented that the expenses in connection with the Macedonian vilayets had been largely increased in consequence of the reforms that had been introduced, and on behalf of the large military force that Turkey was obliged to maintain in the provinces for the suppression of the rival bands that waged a perpetual war against each other. He instanced as a reason why commerce should be prepared to pay the higher rate that 16 per cent. is paid in Bulgaria. His Highness further contended that the conditions made to the reopening of the negotiation for a commercial Treaty had been fulfilled or were about to be fulfilled, in the repeal of the Mining Regulations and the transfer of the Board of Analysis to a more convenient place. He said that the proposed increase would just about cover the deficit on the Macedonian Budget, as it was calculated that it would produce from £ T. 600,000 to £ T. 700,000 per annum.

* Copy to Board of Trade, February 21, 1905. † Mr. Graves' No. 14.

I retorted that it seemed to me scarcely fair in any case to expect the foreign commerce of the entire Empire to find the funds necessary for restoring order in Macedonia, a state of things for which the Turkish Government and not the peaceful trader was responsible. Moreover the past history of Turkey did not inspire me with confidence that the increased revenue would be really devoted to such good purpose as his Highness represented. If 16 per cent. was paid in Bulgaria, it was paid on the strength of Treaties, and I had no doubt that foreign trade received an adequate return in good harbour accommodation and port conveniences, which were entirely wanting in many parts of Turkey, and called forth constant and bitter complaints. I did not deny, I said, that foreign trade should contribute towards the expenses of the State, but at least it was entitled to get something for its money, and it was no fault of the foreign merchant if the Turkish Customs only returned about 2,500,000*l.* per annum to the Exchequer, when under capable management they would probably produce twice as much at the present rate of duty. If Turkey, I said, wished to raise the customs duty, she should at least take immediate steps for the improvement of her ports, and for the custom-house accommodation at them; the present arrangements at such places as Beirut, Smyrna, and Mersina, to cite only two or three cases that crossed my mind at the moment, being ludicrously deficient, and such as caused immense damage to merchandise and loss of time to trade.

His Highness replied that this was the first time that he had heard any complaint of the customs accommodation in Turkish ports, and swore that if I would furnish him with details he would see that things were put right at once.

I could not resist a hearty laugh at this naïve assertion of the Grand Vizier's, and I reminded his Highness that the pigeon-holes of the Sublime Porte must be stuffed full of collective, identic, and individual notes which had been addressed to the Minister for Foreign Affairs from time to time on this subject, and which had remained sterile in result. The custom-house accommodation at the port of Smyrna, to call his special attention to that one alone, was at the present moment a crying scandal.

I have, &c.

(Signed) WALTER TOWNLEY.

No. 4.

Memorandum on the Commercial Aspects of a Proposal of the Turkish Government to increase the Rates of Customs Duty from 8 to 11 per cent. for the purpose of meeting the Expense of the Administration of the Macedonian Reforms.—(Communicated by the Board of Trade, February 21, 1905.)

THE Turkish Government have more than once in recent years proposed a similar increase in the rates of customs duty. We have agreed in principle to a conversion of *ad valorem* duties into a specific Tariff on the basis of 11 per cent. (more or less) in connection with the negotiations which have dragged on for many years for a satisfactory Commercial Treaty with Turkey. We have always refused to agree to a mere increase in customs duties apart from the Treaty negotiations unless accompanied by the remedy of certain flagrant abuses. If now, on the plea of the expense incident to the Macedonian reforms, we assent to an unconditional raising of duties to 11 per cent. "pending the conclusion of new Commercial Treaties," we may be pretty sure that the signature of these Treaties will be indefinitely postponed, while we may well doubt if the bulk of the proceeds of the increase will be devoted to the object for which it is demanded. Part will be squandered at Constantinople, part possibly expended on a "kilometric guarantee" of German railway enterprise, which it will be difficult to avoid by any "assurances." On the other hand, it is difficult to return a point-blank refusal to the Turkish request, and the Board of Trade have already expressed their opinion that an increase from 8 to 11 per cent. if fairly applied to importations from all countries is not likely to hamper the more important branches of trade with Turkey.

It is suggested, therefore, that subject to certain considerations to be specified below, assent might be given to the levying for a limited period (say, five years) of an extra duty or surtax of 3 per cent. *ad valorem* to be allocated to certain definite objects only. This would require some degree of international control.

It is, however, to be noted that according to the Decree of Mouharrem, 1881, the whole of the proceeds of any increase of Turkish customs duties is assigned to the Ottoman Debt, but under Article VII of the Supplementary Decree of 1903, if the receipts of the Ottoman Debt surpass a certain sum (which they habitually exceed),

three quarters of the excess have to be repaid to the Turkish Government, the remaining quarter being applied to the extinction of the Debt. One quarter at least of the proceeds of the increase of duties will thus in any case be swallowed up by the administration of the Debt.

Possibly it might be stipulated that the remaining three-quarters, instead of being paid to the Turkish Government, should be directly allocated by the Debt Commission to the objects agreed upon. Some degree of supervision by the Commission over the collection of the revenue might be necessary to insure the receipt of the total proceeds of the duties; but this would probably be a much simpler matter than setting up a new system of international control. This, however, is a matter for the Foreign Office rather than the Board of Trade. The proceeds of the additional duties have been estimated at 750,000*l.* per annum. Of this, 25 per cent. (or 190,000*l.*) will be assigned to extinction of the Debt, leaving 560,000*l.* for other purposes. Out of this sum it is highly desirable that a sufficient amount (say, 10 per cent. of the proceeds, or about 75,000*l.*) should be set aside for the improvement of the principal custom-houses and the conditions of the Custom Service throughout the Turkish Empire.

The scandalous condition of the custom-houses, due mainly to the rapacity of the Constantinople authorities, which causes the service to be starved, has several times been brought to our notice, and it is only reasonable that a proportion of the proceeds of an increase of duties should be devoted to the abatement of the evil. Another sum (say, 10 per cent.) should be set aside as a fund out of which compensation might be awarded by a properly constituted Arbitration Court to foreign traders who suffer loss from the exactions and defects of the Turkish Custom authorities, for which, at present, they find it impossible to obtain redress. The provision of some arbitral machinery and compensation fund of this kind would be of great value to our traders in scores of disputes of more or less importance. A balance of over 400,000*l.* would remain, which might be applied in the first instance to the expenses of carrying out the Macedonian reforms, being paid direct to the vilayets for that purpose.

If found too much for this purpose, the surplus might be utilized in some way to be determined hereafter.

The contemplated provision for the improvement of the custom-houses, and the satisfaction of the claims of aggrieved traders, would go far to reconcile British traders to the surtax. It would probably, however, be necessary to stipulate expressly for the satisfactory settlement of certain outstanding questions affecting foreign trade, including (1) the satisfactory reform of the system of chemical analysis applied to imports of food and drink, and the admission of drugs prepared in accordance with the British Pharmacopœia; (2) an understanding that articles neither expressly prohibited nor restricted by Treaty should be admitted into Turkey, and that restricted or prohibited articles should be allowed to be re-exported, and should not be confiscated.

Other outstanding grievances, *e.g.*, the Turkish mining regulations, stamp law, quarantine, and sanitary dues might also be raised if thought expedient, but they are hardly so closely akin to questions of customs revenue and administration as those specified above.

H. Ll. S.

Board of Trade, February 20, 1905.

No. 5.

Memorandum respecting proposed Increase in Turkish Customs Tariff, and Negotiations for a new Treaty of Commerce.

Proposed Increase in the Turkish Customs Tariff.

ON the 8th March, 1900, Sir N. O'Conor, Her Majesty's Ambassador at Constantinople, reported that it was rumoured that the Ottoman Government proposed, pending the conclusion of new Commercial Treaties, to raise the Turkish *ad valorem* duties from 8 to 11 per cent., and that an Imperial Iradé had been issued sanctioning this increase. Sir N. O'Conor, No. 27, Commercial, March 8, 1900.

On the 11th March the Ambassadors of the Six Powers in Constantinople presented a Declaration to the Porte protesting against such increase, which they stated could not be effected by the unilateral action of the Porte without a previous understanding with all the Governments concerned. Sir N. O'Conor, No. 28, Commercial, March 11, 1900.

Sir N. O'Conor, No. 35, Commercial, March 26, 1900.

To this Declaration the Turkish Minister for Foreign Affairs replied that no such measure would be put into force without such previous understanding; but, nevertheless, on the 22nd March the Porte addressed an identic note to the Ambassadors, in which it was declared in plain terms that it had been decided to apply the increased *ad valorem* Tariff from the 1st May, 1900, and the new* Conventional Specific Tariff from the 1st March, 1901. The consent of the Powers was not asked for.

Sir N. O'Conor, No. 63, Commercial, April 30, 1900.

Fresh representations were made by the Ambassadors of the Great Powers, and it was not until the 29th April that the Porte finally addressed a note to the Ambassadors, asking them "to do what was necessary to bring about the desired understanding with a view to the early application of the increased duty."

Sir N. O'Conor, No. 64, Commercial, May 2, 1900.

The Ambassadors met on the 2nd May to consider the Turkish proposals, and they agreed to refer to their respective Governments a Resolution consenting to the increase in the import duties subject to an agreement being arrived at on the following points:—

1. Admission of articles neither expressly prohibited nor restricted by Treaty.
2. Re-exportation and non-confiscation of such restricted or prohibited articles.
3. Re-exportation and non-confiscation of—

(*a.*) Chemical preparations and specialities;
(*b.*) Eatables and drinkables;
(*c.*) Soaps and toys, under certain conditions, when alleged to be deleterious to health.

4. Reduction of "ardie," or storage duties.

To Sir N. O'Conor, No. 9, Commercial, Telegraphic, May 9, 1900.

Sir N. O'Conor referred the above proposals to His Majesty's Government, and, in reply, Lord Salisbury inquired whether some categorical assurance could not be obtained from the Porte as to Red Sea lights and the reduction of sanitary dues in return for the consent of His Majesty's Government to the increased duties; but Sir N.

Sir N. O'Conor, No. 19, Commercial, Telegraphic, May 10, 1900.

O'Conor replied that, in view of the importance of establishing the principle that no customs dues should be levied without the consent of the Powers, the Ambassadors had decided to restrict the subject of their demands to purely custom-house questions.

Question of kilometric guarantee.

This view was finally agreed to by Lord Salisbury, who instructed Sir N. O'Conor, however, that some binding assurance should be obtained that the increased revenue

To Sir N. O'Conor, No. 16, Commercial, Telegraphic, June 6, 1900.

which would accrue to the Turkish Government should not be applied by the Porte to a kilometric guarantee on some fresh Railway Concession, and inquired whether, if this was not possible, he could not obtain from the Porte a promise that the Powers concurring in the fiscal increase should share equally any future grant of kilometric guarantees.

Sir N. O'Conor, No. 90, Commercial, June 14, 1900.

Sir N. O'Conor's reply to these proposals was to the effect that the Public Debt had the first claim on the increased revenue, by the terms of Article 8 of the Decree of Mouharrem, that any revenue remaining after the satisfaction of that claim would, no doubt, be available for the payment of railway guarantees, and that it would be difficult to obtain from the Porte an assurance that it would not be so applied. Germany, as Turkey's chief supporter in the demand for a higher Tariff, reckoned on the improved financial condition of Turkey as a means of securing a guarantee for the projected line to Bagdad, and would not be likely to support a demand for a self-denying engagement by the Porte in this respect, and, in the absence of unanimity on the part of the Powers, the Porte would certainly refuse to bind herself.

With regard to the question whether it would be possible to secure from the Porte the equal distribution of any future kilometric guarantees among the Powers agreeing to the increase of the Tariff, Sir N. O'Conor was of opinion that Turkey would not undertake to assign railway guarantees equally among countries very unequally interested in Turkish railways, while, as a matter of fact, there was no British railway in the Ottoman Empire claiming or having a right to such a guarantee.

Sir N. O'Conor, No. 81, Commercial, June 6, 1900.

In the meantime, the Ambassadors met again on the 4th June to discuss the Turkish proposals. None had received any definite instructions, except the Russian Representative, who announced that his Government would not agree to the raising of the *ad valorem* duties (apparently on account of their effect on corn and petroleum), though they were not opposed to taking into consideration the question of an increase of the customs duties on the basis of the Specific Tariff long since negotiated with Turkey.

* By the Conventional Tariff the Porte meant the Tariff conditionally signed by Mr. Wrench, July 9, 1885 (see following Memorandum on negotiations for a new Treaty of Commerce), and subsequently modified as a result of negotiations with other Powers.

In the opinion of the meeting, this Russian declaration was fatal to the acceptance by the other Powers of the Turkish proposals.

Sir N. O'Conor consequently asked for definite instructions from His Majesty's Government.

To Sir N. O'Conor, No. 87, Commercial, July 23, 1900.

He was informed that His Majesty's Government were prepared to accept the Turkish proposals on the following conditions:—

1. Acceptance by other Powers of increased duties.
2. Sufficient notice being given to traders before the Tariff came into force.
3. Receipt of satisfactory assurances as to Red Sea lights and dues.
4. Reforms in certain matters connected with Ottoman Customs.
5. Understanding being arrived at on four points previously enumerated in collective Resolution of Ambassadors of the 1st May.
6. Revision of rates of sanitary dues.
7. Special treatment of Cyprus.

Sir N. O'Conor, No 122, Commercial, August 6, 1900.

Sir N. O'Conor replied that as negotiations had collapsed owing to the attitude of Russia, and as the question of the proposed increase in the Tariff was now only a matter of academic interest, he did not think any further communication with the Turkish Government would serve any useful purpose. He had accordingly verbally informed the Turkish Minister for Foreign Affairs that His Majesty's Government had no objection in principle to the proposed increase, provided certain reasonable demands were complied with; but that in view of the action of Russia, he did not propose to pursue the matter further.

Sir N. O'Conor's attitude was approved.

The position, then, in which these abortive negotiations have left the question is as follows:—

The Porte has not expressly admitted the right of the Powers to object to the increased duties, but the Powers themselves are all committed to this view.

Tacitly, Turkey has gone some way towards accepting it. We have entered into no engagement to assent to any increase, though we have intimated that we had no objection to it in principle, and upon reasonable terms.

So much for the conditions under which the duties may be increased. The appropriation of the increase was governed by Article 8 of the Decree of Mouharrem, under which any increase was to go to augment the amount available for the service of the debt, and for any alteration of this provision the consent of the bondholders was requisite.

The "Décret-Annexe" of the 1st (14th) September, 1903, however, modified the Decree of Mouharrem. It sanctioned the conversion and unification of the Unredeemed Debt, &c., and provided that surpluses arising from net receipts of the Ottoman Public Debt should be divided in the following proportions: 75 per cent. to the Turkish Government, 25 per cent. to the Ottoman Public Debt.

The 25 per cent. is to be applied to an "extraordinary redemption" of the obligations of the Converted Unified Debt, &c.

Negotiations for a new Treaty of Commerce.

The negotiations for a new Treaty and Tariff to replace the Treaty of Commerce and Navigation of 1861, which were suspended in 1883, have proceeded intermittently ever since.

Under the Treaty of 1861, the import duties were not to exceed 8 per cent. *ad valorem* or a specific rate of that amount. At the expiration of that Treaty the Porte collected duties at the rate of 8 per cent.

British and Ottoman Delegates were appointed to draw up a draft of a new Treaty, but the discussions came to a deadlock. A new Specific Tariff ranging from 8 to 20 per cent. *ad valorem* was, however, accepted by Her Majesty's Government in 1885 as an integral part of the Treaty.

In the meantime, Germany had signed a Treaty in 1890 (not to come into force until all the others were concluded), and the French and Ottoman Delegates have agreed on a draft *ad referendum*. The negotiations with Russia have been at a standstill owing to her refusal to consent to increased duties on corn and petroleum, or to the creation of a petroleum monopoly.

In June 1891, Sir W. White presented a note to the Porte, the form of which had

PUBLIC RECORD OFFICE, LONDON

already been sanctioned, in which he said he was authorized to state that "it was understood that until the conclusion of the new Treaty, which would also include the new Tariff accepted" in 1885 "with certain modifications," "no change would be made in the working of the system actually in force as regards the subjects, commerce, &c., of the United Kingdom without the consent of Her Majesty's Government, and unless this Tariff and the final modifications introduced into it were applied at the same time to every other nation."

In order to give Turkey evidence of good-will we expressed our readiness in 1900 to resume negotiations, and for that purpose an amended draft Treaty, based partly on our old draft and partly on the German Treaty and French draft, was drawn up for consideration when the proper time arrived.

The revised draft contains an Article permitting the Porte, during the existence of the new Treaty, to establish the following monopolies in addition to those on salt and tobacco, viz., alcohol, cigarette paper, matches, playing-cards, and petroleum, but it also contains a paragraph to the effect that if any other foreign Power should receive from the Porte any compensation for the loss suffered by its trade through the action of the new monopolies, the same principle of compensation should be at once applied to British commerce.

Our intention to resume negotiations was frustrated by the attempt of the Porte to raise the existing *ad valorem* Tariff without our consent, as shown in the other part of this Memorandum. In the year 1902, His Majesty's Embassy again consented to continue the Treaty discussions, but the arbitrary conduct of the Porte in sanitary matters, the exclusion of drugs and the denial of most-favoured-nation treatment to the Khedivieh Line of British steamers, obliged us, in August 1902, once more to postpone the meeting of the British and Ottoman Delegates.

We have announced that our signature must be dependent on a variety of conditions to which the Porte is not likely to agree, and, for this and other reasons, there is little expectation that a Treaty will be concluded.

Proposed Resumption of Commercial Negotiations with Turkey.

Sir N. O'Conor, No. 83, Commercial.

On the 26th August, 1904, Sir N. O'Conor transmitted copy of a note from the Turkish Minister for Foreign Affairs (a duplicate of which had also been addressed to the Russian, Austrian, and Italian Embassies), proposing the resumption of negotiations for a Commercial Treaty between Great Britain and the Ottoman Empire. In sending this note, Sir N. O'Conor said that he had told the Turkish Minister for Foreign Affairs that he considered the moment ill-chosen for reopening the question of the introduction of a specific Tariff, which formed a part of the proposed new Treaty. The Turkish Ambassador in London also pressed for the resumption of negotiations.

Sir E. Barrington, Memorandum, September 19, 1904.

Board of Trade, September 22, 1904.

The Board of Trade, to whom the matter was referred, saw no reason why His Majesty's Government should depart from the attitude already taken up by them with regard to this question, *i.e.*, that the redress of existing grievances is an indispensable preliminary to the resumption of Treaty negotiations.

To Sir N. O'Conor, No. 73 A, Commercial, September 28, 1904.

On the 28th September the Turkish Ambassador in London had a conversation with Lord Lansdowne, in which his Excellency stated that negotiations for the revision of existing Commercial Treaties between Turkey and Russia, Austria and Italy had begun, and that the Turkish Government hoped that His Majesty's Government would not, as a preliminary condition of negotiations between Turkey and Great Britain, insist that certain other questions "of a general order" should be first settled. Lord Lansdowne replied that he was not convinced that the present moment was a favourable one for a reconsideration of the Turkish Tariff. He presumed it was intended to ask His Majesty's Government to agree to an increase in the amount of the *ad valorem* duties to which British imports were at present subjected, and His Majesty's Government would certainly expect as a condition precedent to any discussion on the subject that various outstanding questions connected, directly or indirectly, with British commerce should first be dealt with to their satisfaction.

To Musurus Pasha October 4, 1904.

His Lordship subsequently communicated to the Turkish Ambassador a Memorandum, showing the principal grounds of complaint on the part of British commerce against the Ottoman Administration.

These were:--

1. *The Stamp Law.*—Apparent intention of the Turkish Government to disregard

the principle that the consent of the Missions must be obtained before new legislation can be applied to foreign subjects in Turkey.

2. *Customs Complaints.*—Non-recognition of British Pharmacopœia; treatment of safes and tinned goods; detention of tea and confectionery on pretext of noxious ingredients.

3. *Shipping Complaints.*—Denial to certain British lines of privileges accorded to foreign Companies.

4. *Excessive and unnecessary Quarantine.*

5. *Excessive Sanitary Dues.*

6. *Treatment of British Mining Companies in Turkey.*

February 23, 1905.

No. 6.

The Marquess of Lansdowne to Sir E. Egerton.

(No. 17. Commercial.)

Sir,

Foreign Office, February 24, 1905.

M. CARIGNANI called at this Office on the 17th instant on behalf of the Italian Ambassador, and said that we had no doubt received the proposal of the Turkish Government to increase the customs duties from 8 per cent. to 11 per cent.

He stated that the Italian Government were disposed in principle to agree to this proposal, provided that the other Powers were of the same opinion, and expressed the desire of his Government to learn their views.

M. Pansa had instructions to inquire whether His Majesty's Government were disposed to make their consent dependent on any conditions, and if so what these conditions would be.

I am, &c.

(Signed) LANSDOWNE.

No. 7.

Question asked in the House of Commons, February 27, 1905.

Mr. Gibson Bowles.—To ask the First Lord of the Treasury, had His Majesty's Government received any request from the Turkish Government to agree to an increase of the Turkish import duties from 8 per cent. to 11 per cent. *ad valorem*, and, if so, what reply had been made thereto; and, in view of the fact that His Majesty's Government held that, before applying any increase of the Turkish Customs to other purposes than the Turkish debt, it would be necessary previously to modify the terms of Article 8 of the Decree of the 8th December, 1881, ceding to the service of the Turkish debt any surplus arising from a modification of the customs tariff, and also to obtain the consent of the Council of the Ottoman Public Debt, representing the bondholders, could he inform the House whether any, and, if so, what steps were proposed to be taken to obtain the consent of that Council before applying any surplus arising from an increase in the Turkish tariff, either to reforms in Macedonia or to any other purpose than the service of the Turkish debt?

Answer.

The answer to the first question is in the affirmative. No reply has yet been returned to the request. The Decree of the 8th December, 1881, has, in pursuance of an arrangement concluded between the Turkish Government and the bondholders, been modified by the supplementary Decree of the 1st September, 1903. Article 3 of this later Decree confirms the assignment to the creditors of any surplus which may arise in the customs receipts from an increase of the customs duties, either in consequence of a revision of the treaties of commerce or otherwise, and Article 8 of the same Decree provides that, if the receipts of the Ottoman Public Debt exceed £T. 2,157,375, 75 per cent. of the surplus shall be repaid to the Turkish Government, and the remaining 25 per cent. shall be applied to redemption of the debt. I have no reason to suppose that any alteration of this arrangement is in contemplation.

No. 8.

Liverpool Chamber of Commerce to the Marquess of Lansdowne.—(Received June 8.)

My Lord, *Liverpool, June 6, 1905.*

I AM directed to inform your Lordship that the Council of this Chamber has had under consideration the proposal of the Turkish Government to raise the duty on goods imported into Turkey from 8 per cent. to 11 per cent. *ad valorem*.

The Committee are of opinion that, as a very large percentage of Turkish foreign trade is British trade, the burden of the additional tax will fall upon the commerce of this country.

The Council therefore strongly object to the contemplated increase in the import duties, and they respectfully beg that your Lordship will immediately take such steps as may be within your power to oppose the increase in question.

I have, &c.

(Signed) THOMAS H. BARKER, *Secretary.*

No. 9.

Foreign Office to Liverpool Chamber of Commerce.

Sir, *Foreign Office, June 14, 1905.*

I AM directed by the Marquess of Lansdowne to acknowledge the receipt of your letter of the 6th instant, respecting the proposal of the Turkish Government to raise the Turkish import duties from 8 per cent. to 11 per cent. *ad valorem*, and to state that his Lordship is fully alive to the importance of the question, as will be seen on reference to his speech in the House of Lords on the 28th March last.

I am, &c.

(Signed) E. GORST.